

**Gina Mouser**

---

**From:** Vern Crawford [vacrawford@msn.com]  
**Sent:** Tuesday, July 07, 2009 8:51 AM  
**To:** Karen Sides  
**Subject:** Fw: Fed Muni Bill

----- Original Message -----

**From:** Leanne Evans  
**To:** vacrawford@msn.com  
**Sent:** Saturday, March 14, 2009 1:50 PM  
**Subject:** Re: Fed Muni Bill

I tried to make this short but wasn't successful.

The guarantees of muni debt would drop the rate of our bonding dramatically. If you remember during our dinner the other night, David and others were talking about the Sarasota deal. They have the highest rating of a school district in the state, but they priced 170 over mmd. Translated - 1.70% over the index for Florida cops. We used to price around 12 or .12 over the index. Broward pulled their deal two weeks ago and we chose to do a 1 year ran instead of paying those rates. I'd rather pay a higher 1 year rate than be locked in for 25 years.

Reinsurance would help with already outstanding debt. If you have variable rate debt, and we do, we are dealing with high rates due to our insurance. We have rates of AA- from one rating agency and A1 from the other two. When we sell bonds (or cops) we have purchased insurance that allows us to use the insurers AAA rating. Problem is, the insurers decided to insure things other than muni debt - like subprime loans - and have been downgraded. That means our bonds were also downgraded. When the bonds fall below AA (which most have done), money markets can't buy them and most other investors dump them. That means the rate we pay goes up. In some cases, so many people sell them that the bank (or remarketing agent) can't find a buyer for them so they fall back to the liquidity provider.

Which brings us to the third prong, providing liquidity. That is a fall back - in case the remarketing agent can't sell the bonds, they get "put back to the bank" or placed with the liquidity or letter of credit provider. Right now, it is nearly impossible to get either liquidity or a letter of credit. If you can get them, the price is through the roof. For example, the letter of credit for our sales tax program was locked in about 14 months ago at 16 basis points (bps) or 0.16% for 3 years. We received a proposal for a similar service from the same bank 2 weeks ago and it is now 120 bps plus they require that we move our bank accounts to them and have the right to renegotiate or cancel in a year. It is basically blackmail as you have to have it - or pay off the bonds (in our case 115 million dollars). Luckily we have other options but many governments don't. They are living a nightmare.

I'm sorry this was so long, but as it is this is a very quick summary and I've left out many details. I'll send you a powerpoint later this weekend that we used for the finance committee a few years ago that should help explain some of the moving parts.

If you want to discuss, just call my cell. I can talk anytime until 6 tonight.

Thanks, Leanne

---

**From:** Vernon Crawford <vacrawford@msn.com>  
**To:** Leanne Evans  
**Sent:** Fri Mar 13 08:49:54 2009  
**Subject:** Re: Fed Muni Bill

11/4/2009

In my ignorance, what would that do for us?

----- Original Message -----

**From:** Leanne Evans

**To:** vacrawford@msn.com

**Sent:** Friday, March 13, 2009 7:36 AM

**Subject:** Fed Muni Bill

Vern, the following is from the Bond Buyer today. This is something that we are interested in. Let me know if you would like to discuss. We can also enlist the folks at PFM (David Moore's firm) as I'm sure they are already involved. FYI Peter Shapiro is the swap advisor for Dade schools.

#### A Muni Bill in Progress Could Be Ready By the Spring

Friday, March 13, 2009

By Andrew Ackerman WASHINGTON — The House Financial Services Committee's staff is drafting a three-pronged bill that would authorize federal guarantees for new muni general obligation debt, create a reinsurance program that could bolster monoline bond insurers underwriting new business, and provide a liquidity backstop for variable-rate demand obligations. The bill could be introduced this spring. It is still in the formative stages but committee chairman Rep. Barney Frank, D-Mass., signed off on a general outline of it late last week, according to knowledgeable sources. A small group of stakeholders representing issuers and broker-dealers were briefed on the proposal Monday and generally were supportive of its three components, the sources said. The bill being drafted would provide temporary help for the municipal market, which has mostly been excluded from the federal government's economic recovery programs. For months, Frank has said that municipal issuers are the most sympathetic victims of the financial crisis and that he would seek some type of credit enhancement for general obligation debt, which he believes is as safe as Treasury debt. But the measure being drafted would go beyond just providing federal guarantees, which Frank's committee believes would cost taxpayers virtually nothing because GO bonds have historically rarely, if ever, defaulted. The legislation also would benefit new revenue bonds — as well as any of the remaining or new monoline bond insurers — by allowing for federal "reinsurance" of the debt on top of insurers' enhancements. It's not clear who would purchase the "reinsurance," but sources briefed on the legislation said it may be designed for the primary market and that the issuer of such bonds would likely end up paying insurance premiums to both monoline insurers and the federal government. The proposal is unlikely to help the National League of Cities' call for the establishment a nonprofit mutual credit enhancer, which market sources find appealing but worry may take too long to get off the ground. The liquidity backstop for the \$500 billion VRDO market would provide either a standby purchase agreement or the equivalent of a bank letter of credit, the latter of which is typically purchased for issuers with ratings below double-A. Market participants had mixed reactions to the proposal. Guarantees for GO debt are widely seen as unnecessary. However, many market participants believe the VRDO backstop will be vitally needed over the next few months as hundreds of issuers with floating-rate bonds — particularly nonprofit health care and higher education issuers — may be shut out of the market when their existing bank LOCs or liquidity facilities expire. "Congressman Frank has it exactly correct on the need for assistance in the VRDO market," said Peter Shapiro, managing director of Swap Financial Group. Without a federal backstop, many VRDO issuers "will be forced into the long end of the market at tremendous cost" because they are unable to find or afford bank facilities in the private market, he said. Shapiro said the backstop should be run as a special federal facility operated by any number of existing entities, including the Federal Reserve or its regional banks, the Federal Deposit Insurance Corp. or the Federal Home Loan Banks. Congressional sources said that Frank has the support of some members of his committee, including fellow Massachusetts Democrat Michael Capuano. Freshman Rep. Gerald E. Connolly, D-Va., also is involved in the drafting of the legislation, at least the federal guarantee component, even

though he is not a member of the Financial Services Committee. While it is not clear what support such a bill would draw in the Senate, two Democratic members of the Senate Banking Committee — Michael Bennet of Colorado and Mark Warner of Virginia — have expressed interest in helping state and local issuers. Michael Decker, co-chief executive officer of the Regional Bond Dealers Association, said Frank's proposal "could be a big benefit to municipal issuers." Asked whether the GO guarantee provision would lead issuers to over-issue debt, he noted that the ability to sell GO debt is limited by law in most jurisdictions and that virtually every one of them requires approval by voters for debt sales, along with state oversight of bond deals. "There are a lot of checks and balances in place at the state and local level to keep the volume of debt by GO issuers in check," Decker said. If the bill were to be introduced, approved by Congress, and signed into law, its "dramatic subsidy to the tax-exempt market... would directly circumvent (and make obsolete)" the taxable Build America Bond program authorized by the stimulus package signed into law last month, Municipal Market Advisors said in a research note yesterday. "Legislators may not be so willing to hamstring a still too new to be used program," MMA said. "On the other hand, the influx of freshman congressmen means that old inhibitions to policy choices may have been swept away in an activist spirit.

----- Under Florida law, e-mail addresses are public records. If you do not want your e-mail address released in response to a public records request, do not send electronic mail to this entity. Instead, contact this office by phone or in writing.

